

Information for Customers about the Fixed Sum Award option

Introduction

In this explanatory note we set out details about the Fixed Sum Award option that will be offered to Customers whom we have concluded were a victim of the IAR Fraud. This feature of the Re-Review was introduced in Summer 2022.

A Customer whom we have concluded was a victim ([as defined](#)) will receive a Victim Status Decision confirming our conclusion and explaining in brief terms why we have reached that conclusion.

Our Victim Status Decision cannot be challenged by LBG except on the basis of an obvious error of basic fact on the face of the decision. LBG would be expected to highlight any such error within 2 days of the Victim Status Decision being issued.

The options

A Customer who receives a Victim Status Decision will be offered a choice -

- a) take a Fixed Sum Award of £3 million, net of tax, in full and final settlement and satisfaction of any D & C losses (meaning financial losses) that may have been suffered.

OR

- b) stay in the Re-Review and have their losses (if any) assessed by us. This will entail us evaluating the Customer's case in detail in order to conclude -
 - (i) whether or not, as a result of the IAR Fraud, the Customer did in fact suffer D & C losses, and
 - (ii) if so, how much they should be compensated.

To assist Customers to understand their options if they were to be found to be a victim, we summarise below the key features of the Fixed Sum Award option and contrast it with staying in the Re-Review for a Customer who has been concluded to be a victim.

Separate guidance has been produced for Customers who have been made bankrupt as the position will be different from that described below in certain respects.

Key features of the Fixed Sum Award option compared to staying in the Re-Review

Key feature	Fixed Sum Award option	Re-Review option
The amount of your award	<p>The Fixed Sum Award is £3 million per Customer.</p> <p>It is fixed and is not negotiable.</p> <p>It is the same amount for every Customer whom we have concluded was a victim of the IAR Fraud, regardless of their personal circumstances.</p>	<p>Your D & C losses, if any, will be assessed by us and will take into account your personal history and circumstances and how we assess you were financially impacted by the IAR Fraud.</p> <p>The award could be more than £3 million, or it could be less. It could be nil.</p>
Interim payment	<p>There is no interim payment.</p>	<p>You will receive an interim payment of £250,000 net of tax if you stay in the Re-Review which is non-refundable. That is therefore the minimum</p>

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Key feature	Fixed Sum Award option	Re-Review option
		amount receivable under the Re-Review. It will be offset against any higher award. There is no maximum amount of award in the Re-review.
Tax payable on the award	<p>The FSA is awarded net of tax. This means that the Fixed Sum Award is £3 million “in your pocket”.</p> <p>Lloyds Banking Group (LBG) will pay an amount to you sufficient to ensure you will retain £3 million after paying any tax due to HMRC.</p> <p>Separate guidance from HMRC will be provided about the tax treatment once this has been finalised.</p>	<p>The Final Award, excluding the Compensatory Interest element, is receivable net of tax. LBG will pay an amount sufficient to ensure you will retain the net award as calculated by the Panel in the Final Decision.</p> <p>The only part of the award on which the tax is a real cost to the Customer is the Compensatory Interest element. LBG is required to withhold the appropriate tax and pay this directly to HMRC on the Compensatory Interest element and a further tax charge may arise when the Customer pays their tax through self-assessment on this component.</p> <p>Separate guidance from HMRC will be provided about the tax treatment once this has been finalised.</p>
Deductions for any past compensation received from LBG	If you previously received any monies from LBG, such as a refund of QCS fees, debt relief for personal debts or compensation for distress and inconvenience, these monies will <u>not</u> be offset against the £3 million sum.	<p>The Panel are obliged to deduct any compensation already received for debt relief and QCS fees in arriving at the final award.</p> <p>The Panel have discretion to offset any ‘uplift’ to the award for Distress & Inconvenience paid by LBG in the Customer Review that we conclude relates to D & C losses.</p>
The FSA offer is time limited to a one-month decision window	<p>Customers will have one month in which to notify us if they wish to accept the Fixed Sum Award (“the decision window”).</p> <p>The Panel may agree to extend this period if there are strong reasons to do so.</p> <p>If the decision window closes and the Customer has not confirmed their decision or requested an extension, it will then be too late to accept the Fixed Sum Award. We will assume a Customer has chosen to stay in the Re-Review and will continue on that basis.</p>	<p>This does not apply in the Re-Review.</p> <p>A Final Decision of the Panel at the end of the Re-Review is final and binding on the Customer and LBG.</p>
Agreement required with LBG to confirm acceptance of the award	<p>In order to participate in the Re-Review Customers will have signed a Customer Agreement or a Customer Release Agreement (as applicable) with LBG. This will have confirmed (amongst other things) the Customer’s agreement to be bound by our Final Decision in the Re-Review and by any award we make for D & C losses suffered due to the IAR Fraud.</p> <p>In order to accept the Fixed Sum Award Customers will need to sign a new agreement with LBG confirming acceptance of the £3 million payment, net of tax, in full and final</p>	<p>In order to participate in the Re-Review Customers will have signed a Customer Agreement or a Customer Release Agreement (as applicable) with LBG. This will have confirmed (amongst other things) the Customer’s agreement to be bound by our Final Decision in the Re-Review and by any award we make for D & C losses suffered due to the IAR Fraud.</p> <p>Any interim payment that a Customer receives, including the £250,000 net of tax that a Customer receives when they are concluded to be a victim and stay in the Re-Review, will be subject to a separate agreement with LBG setting out the terms on which the Customer will receive the</p>

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Key feature	Fixed Sum Award option	Re-Review option
	<p>settlement and satisfaction of any D & C losses suffered due to the IAR Fraud.</p> <p>We understand from LBG that this agreement is in a standard form and that its terms are non-negotiable. The agreement requires a Customer to confirm they have taken independent legal advice before signing it.</p>	<p>interim payment, including the requirement to deduct the amount from any final award where applicable.</p>
Finality of option	<p>Once a Customer accepts the Fixed Sum Award by completing the agreement with LBG it is irreversible.</p> <p>A Customer cannot change their mind and re-enter the Re-Review regardless of anything that might happen after their exit.</p>	<p>If a Customer fails to confirm acceptance of the Fixed Sum Award within the decision window (as extended if applicable) they will have lost the opportunity to accept it and it will not be offered again. They will remain in the Re-Review.</p> <p>If the amount of any provisional award we subsequently make in the MTD is less, it will be too late for a Customer to accept the Fixed Sum Award.</p>
Payment timetable	<p>Once a Customer has signed the agreement with LBG for the Fixed Sum Award, LBG will make the payment to a Customer's nominated bank account within 14 days.</p> <p>Customers who do not bank with LBG or have never received a payment from LBG into their nominated bank account before will need to provide documents for their account.</p>	<p>Customers will receive an interim payment or Final Award into their nominated bank account within 14 days of signing an agreement with LBG or receiving a Final Decision respectively.</p> <p>Customers who do not bank with LBG or have never received a payment from LBG into their nominated bank account before will need to provide documents for their account.</p>
Participation in the Re-Review	<p>Customers who have signed the agreement with LBG confirming acceptance of the Fixed Sum Award will no longer be a participant in the Re-Review. They will stop receiving email updates and communications from us.</p>	<p>Customers will continue to participate and receive email communications and updates from us until they receive a Final Decision.</p>
Your decision is confidential	<p>As with participation in the Re-Review generally, a Customer's decision as regards acceptance of the Fixed Sum Award offer is confidential.</p>	<p>The same confidentiality applies to the Re-Review and any interim payment or final award a Customer receives.</p>
Speed of final outcome	<p>Within weeks of the Victim Status Decision.</p>	<p>We are not able to predict how long it will take to reach a final outcome, but it will take considerably longer given the work involved.</p>
Certainty of timing of outcome	<p>Customers will know their decision window and that they will receive payment within 14 days of signing the agreement with LBG</p>	<p>Customers will know they will receive £250,000 net of tax payable within weeks of the Victim Status Decision but the timing of the subsequent MTD and Final Decision would be very uncertain as the timing of these is typically unpredictable until they are almost imminent</p>
Level of analysis of impact of IAR Fraud	<p>The Victim Status Decision sets out in brief terms how a Customer meets the threshold against our published definition of victim. It includes a high-level description of the impact of the IAR Fraud and how the Customer may have been affected</p>	<p>The Customer will receive a MTD setting out in much greater detail the financial position assessed to have arisen due to the IAR Fraud and the impact on the Customer and/ or their business, as well as our analysis of what might or could have happened if the fraud had never occurred.</p>

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Professional support available to Customers during one-month 'decision window'

Professional support is available to Customers during the decision window (for which funding is provided by LBG) to help them decide whether the Fixed Sum Award option is the right option for them, as explained below:

Independent Facilitator

We have arranged for a panel of independent facilitators to be available to assist Customers in case they would find this helpful. The facilitators are not there to provide advice about which option to take, nor will they have any knowledge about the specific facts or financial elements in a Customer's case.

The facilitator will be there to help a Customer identify personal priorities and think about what they most want to achieve out of the process, and whether the Fixed Sum Award option is right for them, or not.

Customers will liaise directly with a dedicated booking service (not through the Panel) to arrange a session or sessions with the facilitator.

Customers will need to sign a short, standard agreement with the facilitator that will describe the basis of the relationship and set out their duties to Customers, such as their role, confidentiality and impartiality, and Customers' own obligations. This service will be provided cost free, with an allowance to cover any travel expenses (see below).

Independent Financial Adviser ('IFA')

The decision to accept a lump sum of £3 million is partly a financial one. Customers may need professional advice from an IFA on what that money would mean for them in terms of being able to meet future financial commitments and income needs. There is no obligation to do so, but Customers can choose and instruct an IFA or other suitably qualified financial professional. A fixed allowance will be available to cover the costs of this advice if needed (see below).

Legal adviser

We recommend Customers obtain independent legal advice during the decision window, including during any facilitation sessions.

As explained in the Key Features above, Customers wishing to accept the Fixed Sum Award will need sign an agreement with LBG in order to confirm acceptance and receive the £3 million net of tax. Customers will need to engage a lawyer to advise on the terms of the agreement as Customers must confirm that they have taken independent legal advice when signing it.

A fixed allowance will be available to cover the costs of legal advice (see below).

£10k allowance to cover IFA and legal advice and travel expenses

Customers offered the Fixed Sum Award will be entitled to receive an allowance of up to a total of £10,000 (plus VAT) for the cost of advice obtained during the decision window from an IFA or a lawyer for these purposes, including any travel expenses (which includes costs of travel to see the facilitator). Any additional advice or other costs you incur over and above this amount will be at Customers' own expense.

Note that this allowance is separate from the £15,000 (plus VAT) of pre-approved funding that is available to Customers to cover professional advice during the information-

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gathering stage of the Re-Review, as that advice would be for a different purpose at a different stage of the Re-Review.

Contact with the Panel and Case Managers

We (the Panel) will not be able to communicate with Customers during the decision window, but Customers will still have access to their Case Manager if needed.